GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:154
ANSWERED ON:18.02.2009
TRANSPARENCY IN FIXING OF BPLR
Lagadapati Shri Rajagopal

Will the Minister of FINANCE be pleased to state:

(a) the details of the criteria adopted by banks for fixing the Benchmark Prime Lending Rate (BPLR); and

(b) the steps taken by the Government for ensuring transparency in fixing of BPLR?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI PAWAN KUMAR BANSAL)

(a) & (b): In terms of extant guidelines of the RBI, while fixing the Benchmark Prime Lending Rate (BPLR), scheduled commercial banks should take into account their actual cost of funds, operating expenses and a minimum margin to cover regulatory requirement of provisioning/capital charge and profit margin.Barring the ceiling rate for credit limit up to Rs. 2 lakh which should not exceed BPLR, all other lending rates can be determined with reference to the BPLR by taking into account term premia and/or risk premia.To further enhance transparency,a format has been devised by the Reserve Bank of India for displaying of information on interest rates and service charges to enable the customer to obtain the desired information quickly.Banks have also been advised to display the information as per the format on their website.